

## Message Text

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ACTION EB-11

INFO OCT-01 NEA-11 ISO-00 SPC-03 SAM-01 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 INR-10 NSAE-00 COME-00 PA-04 PRS-01 USIA-15

INT-08 FEA-02 SCI-06 L-03 PM-07 DODE-00 DRC-01 /148 W  
----- 015675

R 310935Z JAN 74

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 7436

INFO AMEMBASSY NEW DELHI

AMCONSUL CALCUTTA

C O N F I D E N T I A L KATHMANDU 0444

EO 11652: GDS

TAGS: PFOR, NP , IN

SUBJECT: NEPALESE PETROLEUM REQUIREMENTS

1. IN SEPARATE CONVERSATIONS WITH DCM AND AMBASSADOR JANUARY 30 AND 31, INDIAN AMBASSADOR RASGOTRA STATED THAT AS A RESULT OF HIS PERSONAL INTERVENTION WITH GOI, NEPAL WOULD CONTINUE TO RECEIVE INDEFINITELY ITS POL REQUIREMENTS AT EITHER 1972 OR 1973 LEVEL, WHICHEVER WAS HIGHER. IN THE CASE OF AVIATION FUEL, FOR THESE LEVELS WERE RATHER LOW, RASGOTRA SAID THAT INDIA HAD AGREED TO SUPPLY AT TWICE THE 1972 OR 73 LEVEL. INDIA WILL CONTINUE TO ACCEPT PAYMENT FOR IMPORTS AT THESE LEVELS IN RUPEES. EVEN AFTER MARCH 1, WHEN RASGOTRA EXPECTED PRICE TO NEPAL WOULD HAVE TO REFLECT THE INCREASED WORLD PRICE LEVELS, INDIA WILL CONTINUE TO SUPPLY THE SAME VOLUME AND ACCEPT RUPEES FOR PAYMENT. RASGOTRA SAID THAT THE NEPALESE HAD BEEN INFORMED THAT PURCHASES ABOVE THESE QUANTITIES SHOULD BE ARRANGED DIRECTLY BY NEPAL WITH FOREIGN SUPPLIERS, WITH THE PRESUMPTION THAT NEPAL WOULD HAVE TO PAY IN FOREIGN EXCHANGE. HE SAID THAT INDIA WOULD FACILITATE TRANSPORT WITH ITS TANKERS AND PORT FACILITIES "EVEN IF THE SOURCE SHOULD BE CHINA." HE THOUGHT THAT THERE WOULD BE ADEQUATE TANK CARS FOR TRANSPORT BETWEEN CALCUTTA AND RAXAUL.

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2. RASGOTRA SAID THAT ALTHOUGH SOME NEPALESE OFFICIALS STILL HOPED THAT INDIA WOULD MAKE AVAILABLE ADDITIONAL QUANTITIES OF PETROLEUM PRODUCTS FOR RUPEES, HE HAD FOUND A LARGE MEASURE OF UNDERSTANDING OF THE INDIAN POSITION ON THE PART OF THE NEPALESE. HE SAID THAT HE HAD DISCUSSED THE WHOLE PROBLEM JANUARY 30 WITH FOREIGN MINISTER KARKI, WHO HAD EXPRESSED THE VIEW THAT THE POSITION DEVELOPED BY INDIA WAS REASONABLE.

3. RASGOTRA SAID THAT HE FELT THIS, IN FACT, WAS REASONABLE POSITION ON GOI'S PART. INDIA WAS CUTTING BACK ITS OWN IMPORTS OF POL BY 30 PERCENT BUT WAS IMPOSING NO CUT ON NEPAL. HE ACKNOWLEDGED THAT THERE HAD BEEN VARIOUS RECENT DELIVERY PROBLEMS, PARTICULARLY WITH DIESEL FUEL, BUT THESE, HE SAID, WOULD BE OVERCOME WITHIN THE NEXT FEW DAYS.

4. COMMENT: IF GTA DOES, IN FACT, MAINTAIN DELIVERIES AT LEVELS INDICATED ABOVE, NEPAL WOULD APPEAR TO HAVE OBTAINED REASONABLY GOOD DEAL GIVEN CURRENT WORLDWIDE ENERGY PROBLEM. HOWEVER, IN VIEW RISING CONSUMPTION OF POL PRODUCTS IN NEPAL, GON IS LIKELY TO BE FACED WITH DIFFICULT DECISIONS WITH REGARD TO SUPPLEMENTARY IMPORTS FROM THIRD COUNTRIES OF WHICH IT HAS

NO PREVIOUS EXPERIENCE.

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